

Farmer Education Program (PEPA) Resource Guide

Market Planning



Agriculture & Land-Based Training Association (ALBA)

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Module: Market Planning

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Starting Your Own Farming Business? Marketing

Organic Food Trends Profile

by Marsha Laux, content specialist, Agricultural Marketing Resource Center, Iowa State University, mlaux@iastate.edu Reviewed June 2006.

Organic agriculture is an example of a worldwide growth industry that agricultural producers are responding to that can be a profitable, sustainable business for those producers interested in going through the certification process necessary to enter this market. Organics have grown at a rate of nearly 20 percent per year for the last seven years and industry experts are forecasting continued growth. One study, undertaken by the Organic Trade Association, surveyed industry leaders about the trends in organics and where they saw the next 20 years taking them. They forecasted that overall, the everyday use of organic products of all kinds will be both accepted and routine by the year 2025.

According to the Natural Food Merchandiser (NFM, June 2006), American shoppers spent more than \$51 billion on natural and organic products in 2005. The market overview article pointed to several trends in the organic and natural food industry, including increased sales of natural products by 9.1 percent across all retail and direct to consumer sales channels. Organic food sales grew 15.7 percent overall, and the fastest growing segment of organic food products is in the organic fresh meat and seafood sales, which grew by more than 67.4 percent in 2005 to \$114 million. (NFM, June 2006).

The European Union had more than 143,000 farms (more than 4.4 million hectares) under organic production, while the United States had only 6,949 farms (with just under one million hectares) farmed organically. The organic market is more mature in the EU, with growth rates averaging 7.8 percent per year. The U.S. rate of growth has been more than 20 percent annually, with forecasts in the 9-16 percent range until 2010 (ERS 2005).

Organic agriculture has attracted conventional producers, who make the transition due mainly to the price premiums in the market. In the United States, while systematic collection of price data for organic products is limited, there have been a few studies of farm-level, wholesale and retail organic price data, and those have shown significant organic premiums for most fruits, vegetables, grains and milk (ERS).

Learning Objectives:

1. Conduct primary and secondary research.
2. Assess market demand for your product
3. Become familiar with the 6 P's of Marketing (Product, Price, Place, People, Promotion, Profit), and incorporate them into your Marketing Plan.
4. Define marketing risk management considerations and incorporate them into your Marketing Plan
5. Develop SMART marketing goals for your Marketing Plan
6. Complete a Marketing Plan for your farm business.

Introduction

Now that you've decided you want to be an organic farmer and a business manager, it is important to understand the associated opportunities and responsibilities.

The following is a USDA fact sheet about organic labeling and marketing that provides a good overview on these topics.



Organic Labeling and Marketing Information

The Organic Foods Production Act (OFPA) and the National Organic Program (NOP) assure consumers that the organic agricultural products they purchase are produced, processed, and certified to consistent national organic standards. The labeling requirements of the NOP apply to raw, fresh products and processed products that contain organic agricultural ingredients. Agricultural products that are sold, labeled, or represented as organic must be produced and processed in accordance with the NOP standards.

Except for operations whose gross income from organic sales totals \$5,000 or less, farm and processing operations that grow and process organic agricultural products must be certified by USDA-accredited certifying agents. Labeling requirements are based on the percentage of organic ingredients in a product.

Agricultural products labeled "100 percent organic" and "organic"

Products labeled as "100 percent organic" must contain (excluding water and salt) only organically produced ingredients and processing aids.

Products labeled "organic" must consist of at least 95 percent organically produced ingredients (excluding water and salt). Any remaining product ingredients must consist of nonagricultural substances approved on the National List including specific non-organically produced agricultural products that are not commercially available in organic form.

Products meeting the requirements for "100 percent organic" and "organic" may display these terms and the percentage of organic content on their principal display panel.

The USDA seal and the seal or mark of involved certifying agents may appear on product packages and in advertisements.

Agricultural products labeled "100 percent organic" and "organic" cannot be produced using excluded methods, sewage sludge, or ionizing radiation.

Processed products labeled "made with organic ingredients"

Processed products that contain at least 70 percent organic ingredients can use the phrase "made with organic ingredients" and list up to three of the organic ingredients or food groups on the principal display panel. For example, soup made with at least 70 percent organic ingredients and only organic vegetables may be labeled either "soup made with organic peas, potatoes, and carrots," or "soup made with organic vegetables."

Processed products labeled "made with organic ingredients" cannot be produced using excluded methods, sewage sludge, or ionizing radiation. The percentage of organic content and the certifying agent seal or mark may be used on the principal display panel. However, the USDA seal cannot be used anywhere on the package.

Processed products that contain less than 70 percent organic ingredients

These products cannot use the term organic anywhere on the principal display panel. However, they may identify the specific ingredients that are organically produced on the ingredients statement on the information panel.

Other labeling provisions

Any product labeled as organic must identify each organically produced ingredient in the ingredient statement on the information panel.

The name of the certifying agent of the final product must be displayed on the information panel. The address of the certifying agent of the final product may be displayed on the information panel.

There are no restrictions on use of other truthful labeling claims such as “no drugs or growth hormones used,” “free range,” or “sustainably harvested.”

Penalties for misuse of labels

A civil penalty of up to \$11,000 can be levied on any person who knowingly sells or labels as organic a product that is not produced and handled in accordance with the National Organic Program’s regulations.

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Agricultural Marketing Service
National Organic Program
www.ams.usda.gov/nop
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The next steps in developing your **Whole Farm Plan** are to **Conduct a Market Analysis, Define Your Marketing Objectives** and **Market Strategy**, all of which will help you **Create Your Marketing Plan**.

Marketing Analysis ~ What Is It? Why Should You Do It?

Marketing encompasses all of the activities that go into promoting a product or service. A **marketing analysis** is the actual assessment of the target population, competition and needs for marketing your product or service. A good marketing analysis is key in defining your overall **marketing objectives**.

The marketing analysis process can be broken down into four steps:

- I. Determine if there is a need for your product.
- II. Conduct primary and secondary research
- III. Analyze the 6 P's of your Market Plan: Product, Price, Place, People, Promotion, Profit
- IV. Conduct Marketing Risk Management Analysis: Additional Considerations

So, why should you embark on the market analysis process?

- To determine if there is a market for your products or services
- To establish the need for developing a marketing plan
- To ascertain market information that will assist in the sale of your product or service

I. Marketing Analysis: Is there a need for your product?

Defining if there is a need for your products or services is crucial to conducting a successful marketing analysis. This may require a great deal of time and effort. Many individuals waste valuable time performing good research in the wrong area. To make good use of your time, plan to assess whether there is a need for your product at all. By answering the following questions below, you will get a better picture about the need for your product in the marketplace. If you cannot answer every question, focus on finding the answers even if it means consulting others.

1. What defined market am I trying to reach?
(wholesale, retail, farmers' market, farm stand, etc.)
2. What specific farms/companies are servicing this market?
 - a. Are they successful?
3. Is the market **saturated** or wide open, and why?
4. What is the size of the market?
 - a. Is it a growing market?
 - b. Is the industry **stable, volatile, growing or trendy**?
5. How can I reach this market?
 - a. How do my competitors reach the market?

Important Vocabulary

A **saturated** market is full and does not have room for new farmers to sell their products. There is over-production of a particular product.

In a **stable** market, the price does not fluctuate dramatically

Volatile markets are characterized by wide price fluctuations and heavy trading.

Growth Markets experience an increase in demand for a product or service over time.

A **trendy** market is one in which there is suddenly high demand in a particular place or time

6. Why would someone choose your product?
 - a. What differentiates your product from your competitors' products?
 - b. Why do people choose your competitors' products or services?
 - c. Do you need to enhance our current product or service?
7. Who are your customers?
 - a. Are they from a specific region?
 - b. How do I attract new customers?
8. What do customers expect from this type of product or service?
9. What core competencies must the product or service have?
10. What are customers willing to pay for this type of product or service?
11. What is my competitive advantage?

If you don't have all the answers to the questions, you can find the answers by either conducting primary research or accessing secondary research. Both strategies will be discussed in the next step in your Market Analysis process.

How do I know where the market is for my product?

Start by asking the right questions...

You are a beginning farmer and you have just rented your first half-acre of land. You are excited to experiment with different crops, develop an irrigation system, and maintain healthy soil by adding compost and planting cover crop. But how do you know if your farm business will make a profit? To make your farm business successful, it's important to think about how you will sell your product. Which crops will be most profitable to grow? How do you know that you will be able to sell your product? Who is going to buy your product? And where will you sell your product—at a Farmer's Market, to a wholesaler like ALBA Organics, or perhaps to a local restaurant or store?

A little research will help you answer these questions and make better decisions about what crops to plant and where to sell your product. You can do some of this research yourself by conducting interviews and surveys or observing farmers markets. *Research you do yourself is called primary research.* You might start by asking your family and friends questions about what fruits and vegetables they buy and how much more they will pay for organic versus conventional produce. You can survey a wider population by asking similar questions to potential customers—such as individuals at Farmers' Markets or the grocery store. You may want to interview other potential clients as well—such as wholesale distributors or local supermarkets—to find out what products they want to purchase, in what quantities, and at what price.

II. Conducting Primary and Secondary Research

The next step requires gathering **primary research** that provides information about your product, target market, potential customers, and the market environment. Many approaches can be used to collect primary data. Research can be done by administering a formal/scientific or informal/non-scientific survey to professionals with knowledge about the industry or product, such as: growers, shippers, farm and store owners, and in some instances, customers.

Qualitative research utilizes open-ended questions to obtain in-depth answers. Closed-ended questions requiring yes or no answers are avoided. The idea is to have people share their thoughts on a topic without giving them extensive directions or guidelines. Examples of qualitative research questions include:

1. How often do you buy red cabbage at farmers' markets?
2. Which farmers' markets do you buy from? How often?
3. Why do you buy the Early Girl tomato variety at Trader Joes?

The consumers are free to answer as they choose: one might talk about convenient location, another about service, and others about the type of vegetable quality available. Depth is the important factor in this type of research.

Quantitative research differs from qualitative in that it gathers statistical information, i.e., information with a number to it. Survey research is usually quantitative in nature. It seeks structured responses, which can be summarized in numbers, like percentages, averages or other usable statistics. An example of quantitative research is what percentage of the consumers shopping in grocery stores that purchase onions? An average score is then calculated from your survey findings.

In quantitative survey research, a common approach to objectively measuring consumers' attitudes and opinions by having respondents indicate how much they agree or disagree with a questionnaire statement.

Exercise: A farmer is interested in what a target consumer population thinks about organic vegetables. The farmer might use the following quantitative research examples:

When you do research, you will gather both qualitative data and quantitative data. **Qualitative** data includes in-depth responses to open-ended questions interview questions (as opposed to questions that can be answered with a simple yes-or no) and observations. For instance, you might have a conversation with a customer at a Farmer's Market about why he or she buys produce from a particular farm stand. Your qualitative data would be the information you gather from the interview: it might include what he or she likes or dislikes about the presentation of the stand, the type of produce sold, or the customer service. This type of research will give you ideas about what produces to plant and how to sell at a Farmer's Market.

Quantitative data is about numbers. It can be summarized in percentages, averages, or other statistics. You might do quantitative research by conducting a survey. You might ask potential customers what type of tomato they like to buy, Roma or Cherry or varieties of Heirlooms. Your quantitative data would be the percentage of individuals who prefer each type of tomato.

Example 1. Check your level of agreement with each of the following statements:						
		Strongly Agree	Agree	Uncertain	Disagree	Strongly disagree
1	I buy organic vegetables at grocery stores.					
2	The quality of organic vegetables are better than conventionally grown vegetables.					

Example 2. Rate how important each of the following is to you when selecting organic vegetables:				
		No importance	Somewhat important	Very Important
1	Price			
2	Quality			
3	Knowing the farm where it was grown			

Example 3. Please check the rating which best describes your feelings about organic vegetables:					
		Poor	Fair	Good	Excellent
1	Price				
2	Quality				
3	The farm where it was grown				

(2006, CitiBank: How to be an Entrepreneur)

Decisions about what specific question to ask and how to ask them usually depends on how the respondents will be contacted: by mail, in person or by phone.

A mail questionnaire is useful when extensive questioning is desired. This type of format allows the respondents to complete the questions at their convenience. They may be more willing to fill out personal or family sensitive issues since the mail questionnaire can be returned anonymously. The questions must be simple and the directions easy to follow, since no interviewer will be present to assist.

Telephone surveys- In this format, market researchers can ascertain answers to simple questions quickly. Telephone interviews allow the interviewer to probe and learn what the respondent is thinking. If the market researcher is attempting to gather personal or family sensitive information, this is a poor tool.

Personal interview surveys can be effective for maintaining a respondent's attention. In this format the interviewer is present in order to explain difficult directions hopefully leading to better responses. This type of interview is common in the retail and industrial setting. To reduce the cost of locating consumers, interviews are sometimes performed on-site. A random selection of consumers is questioned.

Observation can be used for data collection. With observation, researchers try to learn what the subject does naturally. Observations should not influence the consumer's behavior. Observation methods are common in food and advertising research.

Primary research should also be accompanied with **secondary research**. Secondary research is research that has already been conducted and can be found in libraries, online, through periodicals, books, government agencies, chambers of commerce, trade associations, and other organizations, etc. The easiest and most efficient way of accessing this type of data is on the Internet.

Online resources on organic markets are available at the following links:

National Sustainable Agriculture Information Service, Appropriate Technology Transfer for Rural Areas (ATTRA) - Practical production and planning guides and information on organic agriculture with workbooks and other resources. www.attra.org/organic.html

Organic Price Index Prices of organically grown and conventionally grown foods are seen side by side, highlighting the premiums organic can often obtain. Buyers and sellers of certified organic food now know what certain items should and do sell for around the country. www.newfarm.org/opx/

Organic.org provides unbiased, objective information on new products, emerging trends, and regulatory information as well as a hand-picked selection of other links—all easily accessed using simple site-navigation tools. www.organic.org

Agricultural Marketing Resource Center (AgMRC) National electronic information resource for value-added agriculture. AgMRC offers producers the ability to investigate value-added commodities or niches, gather information on creating a business, research general market and industry trends, and locate resources in a directory and use AgMRC developed tools. www.agmrc.org

If you want to conduct a detailed industry search, access www.altavista.com and type in "industry research reports" and you'll receive a variety of sites. The more specific you are, the more defined your search will be.

Demographic and competitive analysis reports can be attained for a fee at Dun and Bradstreet's Web site, www.dnb.com.

Industry newsletters can be emailed to you when new data is reported. By searching your industry on the Internet, you will uncover lots of potentially valuable marketing analysis information.

You may also learn from research that others have done—called **secondary research**. You can find a lot of secondary research on the internet, such as reports on prices for different crops.

The point of doing research is to learn more about your product and potential markets. This information will help you make better business decisions, and hopefully help you to make more money!

Other widely used standard research sources include:

- ***American Demographics Magazine***
- Federal and state governments publish reports on specific industries, markets and products. To receive a list of publications call the U.S. Printing Office in Washington, D.C. (202) 783-3238
- The ***U.S. Department of Commerce*** publishes the *U.S. Industrial Outlook* each January. It provides a general economic outlook by forecasting growth rates for the coming year and reporting on the production of the last year.
- The ***U.S. Census Bureau*** publishes more than 100 current industrial reports on 5,000 manufactured products. *Consumer Information Reports*, better known as CIRs, provide information on production, shipping, inventories, consumption and the number of firms manufacturing each product.

III. The 6 P's of your Market Plan:

Product, Price, Place, People, Promotion, Profit

The 6 P's of marketing are **Product, Price, Place, People, Promotion, Profit**. Think of each of these as a variable which you control. The idea is to set these variables in such a way so that sales will take place. You cannot "make" a customer pull out her credit card, but you can certainly help her in coming to a decision by setting the "right" price, the retail location and distribution channel, the level of advertising and even product attributes such as color or perceived quality. You control everything but the customer herself. These variables are all interdependent. Taken together, they constitute a certain mix. This is often referred to as the marketing mix. In defining this mix it is also necessary to take into account your competitor's mix as well as your overall business goals and objectives. The idea is to come up with a mix that will clearly differentiate your products from those of your competitors. For example, you may wish to offer a high quality heirloom tomato variety at the farmers' market since your competitors are selling common tomato varieties in supermarkets.

6 P's in marketing:

1. Product Analysis: What is it that you are selling?
2. Price: At what price will I see my product?
3. Place: How will I transport and where will I sell my product?
4. People: Who are my customers and target market(s)?
5. Promotion: How will I promote my product in the market?
6. Profit: What will be my marketing financial goals?

1. Product Analysis: What are you selling and is there a need for your product? Product analysis helps us keep in mind the important production materials, time, and economic decisions required when deciding on which crops to grow. Please list what products you have an interest in growing and selling at the market. Make sure you have thought of the production materials, time spent, and the money needed to produce each crop before you decide.

VEGETABLES

FRUITS

AROMATIC HERBS

ROOT CROPS

OTHER

MATERIALS NEEDED

TIME

MONEY

1. _____	1. _____	1. _____	1. _____
2. _____	2. _____	2. _____	2. _____
3. _____	3. _____	3. _____	3. _____
4. _____	4. _____	4. _____	4. _____
5. _____	5. _____	5. _____	5. _____
6. _____	6. _____	6. _____	6. _____
7. _____	7. _____	7. _____	7. _____
8. _____	8. _____	8. _____	8. _____
9. _____	9. _____	9. _____	9. _____
10. _____	10. _____	10. _____	10. _____

2. Product Price: At what price will I sell my product?

How do you price a quality product? Are you pricing too low or too high? Who sets the final price? Does the producer/farmer, manufacturer or the dealer have the final say? Can the producer/farmer in any way control the price of his product when it goes beyond wholesale channels or into retail channels? Most importantly, can the farmer sell the product for a cost that allows him to meet his profit objectives *throughout the season*?

As a product moves through the supply/value chain, e.g. from producer/manufacturer to distributor to broker or retailer to customer (described in the next section), there are prices set along the way. The farmer or producers' selling price to the distributor becomes the distributor's

cost. You will need to understand whether that “cost” is in line with competing products. You will also need to take into account if the cost is low enough to dealers so that they in turn will have enough margin in order to carry your product. And remember, the price to the consumer must be competitive with the rest of the market. Obviously, it is important to understand pricing and margins along the distribution chain in wholesale marketing. Do your research and start thinking about all the partnerships that will need to happen at all distribution levels.

In direct marketing, it is the farmer who sets the price. There are various pricing strategies that might work for you:

- Markup pricing is the setting of a price based on one’s cost. This may be a simple way for you to determine the selling price if you know your cost of production.
- Market “skimming” or tailoring is where you start with fairly high prices (especially in the absence of competition) and you lower your prices over time as you start to keep up with the demand or as competition begins to move in. What is your product “worth” to the buyer? Perhaps your perception of what it is worth is very high. Ideally, you could start lowering prices until you reach an optimal sales volume without oversupplying your market.
- Going-rate pricing is generally used for fruits and vegetables, where you sell your product at the same price as your competitors. You can find out the going-rate of popular fruits and vegetables at wholesale prices at this link: www.newfarm.org/opx. To find prices for fruits and vegetables another option is to go to your local farmers market and view the prices for various products.

There are many business and marketing theories on pricing. It is not possible to do justice to this interesting and complex topic here. The important thing to remember is that this, perhaps next to the product itself, is one of the most important P’s of marketing.

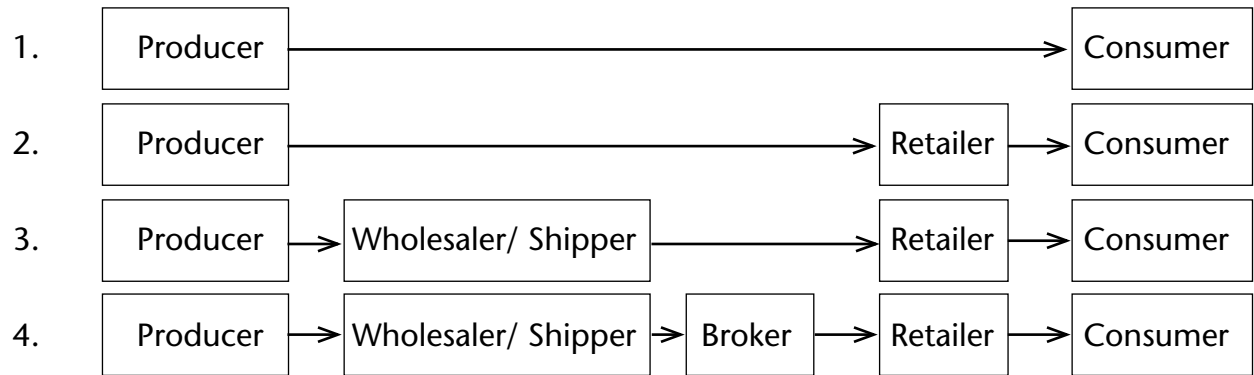
Exercise: What price strategy makes the most sense to you? Why?

Research the NEW FARM price Index for wholesale markets online for all of your products and list of prices for each of your products in the market today:

- 1.
- 2.
- 3.
- 4.
- 5.

3. Place: Marketing Distribution Channels

Placement of the product is crucial. There are often many paths (i.e. channels) which a product can take in going from your farm to the customer. There are two distinctive channels in the organic market today: wholesale/indirect and direct marketing distribution channels or a combination of both. A channel “map” can be drawn in order to visualize the paths within each market:



In the figure above, Channel 1 is called a *direct-marketing* channel, since it has no intermediary levels. In this case the producer sells directly to customers.

The remaining channels are *wholesale/indirect-marketing* channels containing 2-4 intermediaries. Channel 2 contains one intermediary. In consumer markets, this is typically a retailer or grocery stores. Channel 3 & 4 contains two or three intermediary levels—a wholesaler, shipper, retailer, and in some cases a broker. Let’s take a closer look at each marketing distribution channel in more detail below:

Direct Market Channel

Examples of direct marketing channels include the following:

- Farmers’ Market
- Roadside Market and stands
- Pick-your-own/Agri-tourism
- Community Supported Agriculture (CSA)
- Selling to Restaurants and Institutions

Farmers' Markets

A farmers' market provides both farmers and consumers a direct marketing alternative to the retail food or grocery store. Producers are seeking a direct marketing alternative and certain consumers have interest in buying from farmers. Renewed interest in farmers' markets is evident in central cities, suburban shopping centers and in smaller communities. The market sponsors frequently include a business group (such as a Chamber of Commerce), consumer groups, county extension and/or producers (2003, Cottingham).

A regular site and schedule (such as 8:00 A.M. –1:00 P.M.) on Wednesday and Saturdays from May to September are essential for farmers' markets so repeat customers can plan on the availability of products. Repeat customers for a particular farmer may result from quality products and a personal greeting. Repeat customers are often your most important customer. A producer may sell products in more than one farmers' market. Successful (and continuing) farmers' markets have market rules, regulations, and fees that all farmers must agree upon when entering a farmers market. In most farmers' markets, the produce is grown in the area of the community and sellers can only sell their own production. The rules must be understood and followed by farmers as the farmers' market is a privilege and opportunity available to local growers.

And if you want to sell in a Farmer's Market...

It's advisable to go and observe a few Farmers' Markets in the region in order to learn what products and varieties are desired by consumers but not sold by farmers. You can also find out what produce varieties will sell and which will not, because unique and lesser known varieties can be profitable. It's advisable to experiment slowly with planting and selling different varieties to test out how the consumer responds. It is critical to display clean, high-quality products, as the consumer will appreciate the high quality and appearance from a distance.

Some Farmers' Markets are more popular than others, and some are difficult for new farmers to enter. As a new farmer, you will need to obtain permission from each Farmers' Markets in order to set up a stand. Managers of Farmers' Markets tend to want variety, and so it's important to sell products that other farmers at the market do not offer. This will give you a competitive advantage.

Example: It's difficult for new farmers to enter the Santa Cruz Farmers' Markets because there are already enough farmers that sell a diversity of products. However, no farmers at this Farmers' Market currently sell organic, locally-grown blueberries, and they rely on a seller who brings conventional blueberries from Fresno. Therefore, if a farmer can sell organic blueberries in a large enough quantity, he or she may be able to gain access to this market.



The mix of sellers in a farmers' market may include (1) hobbyists with too much product for family, relatives and friends, (2) organic gardeners, (3) part-time farmers, and (4) commercial growers. The farmers' market provides a market entry opportunity for new producers. The market also provides an opportunity for growers to meet many consumers and learn what they are willing to purchase (2003, Cottingham).

The farmers' market may provide appeal to buyers seeking alternative products and shopping experience. This appeal means opportunity and the potential for profitable marketing.

If you want to sell your vegetables at a farmers market, look for a market that is:

- In a busy area
- Well known by a lot of customers
- Supported by a marketing and/or advertising program
- Clean and well managed—including a manager who will assist with filling out necessary forms and listens to the concerns of farmers

Here are some ideas to help make your booth a successful display:

- Make the area around your booth attractive and as clean as possible.
- Customers like a large display to choose from. Put as many of your vegetables out as you can while still keeping them fresh in shade. Tilt every item to give your customer a better view and make your supply look larger. But be careful to place the vegetables so that they don't fall over when a customer takes some.
- Put your crops up on tables, and any refill stock must be three inches above the ground.
- Put each of your crops in a group to make large blocks of color. Yellow vegetables, especially, catch the customer's eye.
- Make signs for all your crops with each name and price. Customers also like to read information about your farm.
- If you would like, hand out recipes (in both English and Spanish) that are from your country and use the vegetables you are selling. (2007, Regents of the University of Minnesota, "How to Pick, Store, and Sell the Vegetables You Grow")

Disadvantages of Farmers' Markets:

Farmers' markets are not for everyone. Here are some disadvantages you should be aware of when considering participating in farmers markets:

- Requires farmer to be a good salesperson
- Can be time intensive
- Distance to market can be far
- Market fees can be high
- Market season and days may not fit your needs
- There can be competition among vendors

Roadside Markets

A roadside market is another direct marketing alternative. The roadside market may be a temporary facility like a farm stand, wagon or pick-up truck. A temporary or permanent facility may also be built to display produce.

People like to stop at roadside stands to buy fresh fruits and vegetables. Roadside stands can be close to your home or garden. You can sell your crops without traveling far, and you can make money selling only one or two crops. For instance, fresh-picked sweet corn, tomatoes, and pumpkins sell well.

Customers who stop at roadside stands like to see colorful plants, gardens, animals, even clean gardening tools. They also like to see your crops growing. If your stand is near your garden/farm, make sure it is in good condition and customers can see your crops.

If you want to sell your crops at a roadside stand:

- Call your nearest Cooperative Extension office and/or city business license department to ask whether there are any rules about roadside stands and signs.
- Find a place close to a town or city, where people would not have to drive more than 10 miles to reach you.
- Find a place where a lot of cars go by. The cars should be going slow enough to be able to stop. A place next to a stoplight or stop sign is a good place.
- Find a place that people can see as they drive by.
- Find a place where people can park their cars.
- Ask customers what they think about your stand. You can learn a lot about what they want. This will help you plan for next year. (2007, Regents of the University of Minnesota, "How to Sell Your Crops")

Disadvantage of Roadside Markets:

- Location is critical
- Appearance, upkeep of the stand
- Need good advertising
- Need diverse product mix
- Parking and traffic
- Staffing—long business hours

Other types of Direct Marketing: Community Supported Agriculture, U-Pick, and Selling to Restaurants

Direct marketing is when the farmer sells directly to the individual who will consume his or her product. By eliminating the middleman, the farmer can obtain a higher price for their product. However, direct marketing work to build relationships with consumers.

Farmer's Markets are one common type of direct marketing. But there are other types of direct markets as well. In these boxes you will find a few examples of farmers who are selling their produce to direct markets.

U Pick or Pick-Your-Own (PYO)

U Pick is a direct marketing alternative for farmers and consumers. A few consumers will drive to a farm for selecting and harvesting a crop. Strawberries and pumpkins are two classic examples of U Pick crops. Other fruit and vegetable crops have been profitably marketed through U Pick.

The appeal to consumers includes both “farm-fresh produce” as well as a “farm experience.” The farmers with profitable U Pick operations have favorable locations, excellent quality and an ability and willingness to work with consumers. Farm labor difficulties, such as finding workers willing to work a few hours every second or third day, have encouraged farmers to establish U Pick operations. Some farmers, with family and/or hired labor, combine a U Pick with a roadside market or some other marketing alternative.

Location is critical for all businesses and particularly so for U Pick farms. Consumers need to learn of the U Pick location, product and price. The continuing objective is repeat sales, that is, happy and satisfied customers that will help spread the word about your roadside market. Impulse buying of passing motorists will be helpful but generally insufficient to generate profitable roadside marketing.

The visitors to a U Pick can be demanding and frustrate the farmers’ patience. The kids that accompany your consumers may lack the behavior expected of your own children. The U Pick farmer must determine if the disadvantages associated with visitors are offset by the potential for net income.

More recently, U Pick enterprises have been integrated into the growing “farm entertainment” sector. Marketing strategies may include educational tours, an on-farm market with opportunities to buy fresh produce or value-added products, ready-to-eat food, festivals, classes, seasonal events such as a personalized pumpkin patch, or agricultural mazes. (2001, Zurschmeide).



U-Pick

Serendipity Farms in Carmel Valley specializes in heirloom tomatoes. They run a u-pick tomato patch on Saturdays during the summer where customers can participate in the harvesting experience and then purchase the produce they have harvested. ALBA has organized a number of You-Pick Harvest Days, where consumers harvest diverse organic crops such as carrots, potatoes, cilantro, squashes, peppers, raspberries, strawberries, varieties of tomatoes and Halloween pumpkins from ALBA's beginning, small-scale farmers.

Disadvantage of U Pick stands:

- Location is critical
- Liability insurance costs
- Intrusion on family life
- Parking and staffing can be difficult to find
- Limited growth potential and product value

Community Supported Agriculture (CSA)

CSA is a retail method of selling where a customer subscribes to a season's worth of fresh produce from a farm. A subscriber or CSA member will pay you, the farmer, money before the growing season begins, serving as operating capital. You will pay your customers back in produce. Most CSAs have several drop-off locations where members come to pick up boxes of produce each week. Because CSAs try to build connections between farms and the people who eat their produce, many CSAs provide newsletters describing the produce, recipes, or news about farm activities. Call your local Extension Service county office to find out how to sell your crops using a CSA.

CSA and Subscription Disadvantages:

- Hard "sell" – because of the up-front cost to the consumer
- Requires detailed crop plan for long-term consistency and variety
- Member turnover can be high
- Requires highly organized farmer and "core group" of helpers
- Delivery logistics can be complicated

Community Supported Agriculture

Community Supported Agriculture (CSA) programs allow consumers to invest in a particular farm over a longer-period of time. Consumers may sign-up to purchase a weekly or bi-weekly box of fruits and vegetables for a month or an entire season.

Full Belly Farm is located in Guinda, California, and delivers CSA boxes to various locations in the San Francisco Bay Area. Full Belly Farm also works to form connections between their consumers and the farm itself. Each box includes a weekly newsletter with stories and photos from the farm and recipe suggestions for how to cook the produce. Full Belly Farm also invite its clients to visit the farm. They host an annual Hoe's Down Harvest Festival which features farm tours, educational workshops on organic farming, hayrides, crafts, and lots of farm-fresh food and music.

J & P Organics (run by ALBA farmers Juan Perez y Pablo Perez) delivers their CSA boxes to the homes and work-places of their customers. Each box includes between 10 and 12 items with about 50% vegetables and 50% fruits. They send their customers an e-mail every Monday to inform them what the box for that week will include. Customers can decide each week whether or not they will purchase a box. Deliveries are made on Fridays.



Selling to Restaurants and Stores

According to some reports, over 50% of American meals are now eaten away from home. This would appear to be a growing market for direct sales of produce. However, most high-volume meal servers (institutional food service and restaurant chains) require

huge volumes, typically procured through centralized purchasing. ALBA Organics is one of a handful of efforts that work to connect small farmers with these markets.

Selling to Restaurants

After working for years in the restaurant business, ALBA farmer Martin Bournhonesque started farming and selling produce directly to upscale restaurants in the Bay Area. Martin uses his industry connections to sell and deliver high-quality organic produce.

It is possible, however, to find individually operated restaurants buying foods locally. High quality is a prime requisite for sales to such restaurants. Such specialty crops as herbs, garlic, mushrooms, salad greens, cut flowers, and edible flowers for restaurants may be grown on very small parcels of land. One of the main requirements for selling to an upscale restaurant seems to be developing a good relationship with the chef. Chefs are very often interested in having farmers plant crops especially for them. This allows the farmer to have a guaranteed sale, while securing menu variety for the restaurant. Heirloom varieties and unusual varieties of common vegetable (lettuces, greens, potatoes) offer a unique dining experience chefs and owners need to keep their customers engaged.

In some instances sales by local farmers to local institutions may be arranged. The Hartford Food Project (see Resource list) has a publication describing creation of such marketing channels (2001, Zurschmeide).

Disadvantages in selling to restaurants and stores:

- Individual restaurants require excellent customer
- Often require low volume
- Buyers can be very demanding of customer service

Selling to Schools

Many school districts are trying to make school lunches healthier by including more organic and local produce. ALBA farmers Ana and Eleazar Juárez have a contract with the Hayward Public School District to sell produce for the cafeteria lunches. In addition, they sell produce at farm stands at two elementary schools in Hayward.

Wholesale/Indirect Market Channel

Wholesale/indirect market channels typically refer to sales through a reseller. A reseller can order from you direct or from a wholesale distributor like ALBA Organics—you would sell to a wholesale distributor and they in turn would sell to multiple resellers. The following are typical indirect market channels:

- Wholesaler
- Manufacturer
- Distributor/Shipper
- Broker
- Retailer
- Cooperative

Wholesaler

The services of a wholesaler are varied in today's food industry. Their services include:

Buying from a diverse group of producers and assembling products so that they are available from one source.

Selling to retailers, manufacturers, or processing establishments who lack the resources or a broad enough line of products to field their own selling effort.

Dividing wholesale car lots or truck lots into individual cases or packages for distribution to retail stores, or through direct markets such as CSA programs.

Transporting products to retail stores (drop shipments).

Financing, if credit is offered to retailers.

Risk bearing, when damaged products are found and credit is given for them and price risks are incurred from holding inventories.

Management services are offered by some wholesalers to help retailers operate their businesses better.

Product promotion services may be offered: delivering and setting up special displays, stocking regular displays or offering marketing allowances.

Wholesale Markets:

These organizations sell goods in large quantities for resale by a retailer.

Examples:

Whole Foods Central Distribution Center
Veritable Vegetable
Albert's Organics

Is selling your produce to a wholesale market a good option?

Pros

You can sell more produce.
You are typically paid within 10-30 days.
You can access a large number of customers.

Cons

You will get a lower price for your product compared with a direct to consumer market.

Case Study

Consider that you produce high-quality strawberries, but you grow them on a small amount of acreage. Unfortunately, marketing strawberries is extremely competitive, with large scale, established producers competing very effectively in local, national and international markets. As a small farmer, you run the risk of not being able to sell all of your strawberries in direct markets. It may be advisable to sell a majority of your produce to a wholesale market, which buys the produce from several small farmers and resells it in large quantities.

For example, ALBA has its own wholesale market, ALBA Organics, which buys produce from local farmers and sell it to different customers, such as universities, supermarkets and hospitals. ALBA Organics has a large volume and variety of products to sell, which allows them to reach markets which smaller farmers cannot.

Manufacturer

Manufacturing is the application of tools and a processing medium that transforms raw materials into finished goods for sale. Mid-sized to large manufacturers will process products themselves or subcontract private label finished end products for production or distribution by a specialized food processor, a food ingredient company, an independent or specialty food manufacturer, or a food distributor. Examples of some manufactured foods include juices, jams, processed meats and salad mixes.

Food Service Distributors and Shippers

A distributor is a food product merchant who bulk purchases food and food items for distribution and prepares goods for shipment, by packaging, labeling, and arranging for transit. They also coordinate the transport of goods to restaurants; cafeterias; hotels and motels; retail store delis; local, state and federal building environments; the military; hospitals, and other institutional users.

Broker

A broker is a person or firm that acts as an intermediary between sellers and buyers of commodities. Brokers are also called commodity transfer agents or intermediaries.

Retailer

A retailer buys goods or products in large quantities from manufacturers, brokers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. May include subordinated services, such as delivery. Retailers are at the end of the supply chain. Some examples of retailers are grocery stores and smaller mom and pop food markets.

Cooperatives

A broad typology of agricultural cooperatives distinguishes between *agricultural service cooperatives*, which provide various services to their individually farming members, and *agricultural production cooperatives*, where production resources (land, machinery) are pooled and members farm jointly. Agricultural production cooperatives are relatively rare in the world, and known examples are limited to collective farms in former socialist countries and the kibbutzim in Israel. Worker cooperatives provide an example of production cooperatives outside agriculture.

The default meaning of *agricultural cooperative* in English is usually an *agricultural service cooperative*, which is the numerically dominant form in the world. There are two primary types of agricultural service cooperatives, *supply cooperative* and *marketing cooperative*. Supply cooperatives supply their members with inputs for agricultural production, including seeds, fertilizers, fuel, and machinery services. Marketing cooperatives are established by farmers to undertake transformation, packaging, distribution, and marketing of farm products (both crop and livestock). Farmers also widely rely on credit cooperatives as a source of financing for both working capital and investments.

(Wikipedia http://en.wikipedia.org/wiki/Agricultural_cooperative)

Defining a channel strategy

A practical way to determine, or at least analyze, appropriate channels for your product would be to start at the point of final purchase. Who is the final consumer or user of your product? Where does that person look when buying your type of product? If she buys this product from a grocery store, then where does that retailer obtain his products? Or if your customers choose to buy your product at farmer's markets, what will you need to know about entering a local farmers' market in your area?. To answer these questions you will need to know your customers and who your target market will be, which we will cover in the next section.

Exercise: Think about which market is right for you.

How is this product used by the distributor's business?

How does the distributor network make their purchase?

What are the terms of the purchase? When do you get paid?

Who and what influence distributor's purchases?

What influences your decision in selling crops through wholesale or direct markets?

- types of markets in the area?
- size of markets?
- geographic region?
- target markets served?

How much will your overall distribution cost be for your product?

4. People: Who Are My Customers and Target Market(s)?

Defining who your customers will be and what part of the market you will target in order to reach your customers is important in determining their potential needs and desires. Understanding which markets to target can help you better define your product and your overall marketing strategy.

Describe your customer in terms of:

Gender

Ethnicity

Income

Age

Occupation

Education

Family size

Geographic region

Lifestyle

Attitudes

Purchasing characteristics

Understanding the customer:

- who is using the product?
- why do they use the product?
- when do they use the product?
- how is the product used?

Who is using the product?	Why do they use the product?	When do they use the product?	How is the product used?

Evaluate your customer and purchasing preferences:

The following questions will help you focus on your customer's desires, needs, and lifestyles. Answer each question and then fill in the Target Market Table below:

1. How do customers perceive the product?
2. What are customers attitude regarding the product?
3. Do your customers buy on impulse or do they make extended decisions with family members?
4. Who makes the purchases in the family?
5. Who or what may influence the purchase?
6. Do you believe other customers make purchases in the same way you do?



Exercise: Fill in the Target Market Table below.

Customer Type (Age & gender)	Attributes about the Customer	Distribution Channels: How will I reach the customer?	Size of market	Deciding factors influencing buying?	Other factors that influence purchase.
Male and female baby boomers	Busy, want convenience and quality food	Wholesale/ Retail stores Direct markets	Mass market	Price, quality, freshness, convenience, brand	Taking more vacations
Career women over 30	Busy, want convenience and quality food	Wholesale/ retail stores	Mass market	Price, brand, convenience	Buys for family of 2-3 kids
Male and female recently retired (55-65yrs)					
Young Latino mothers					
Athletic women in their 20's					
Mothers in their 40's					
Teenagers					

Competitive Analysis

In order to further understand the needs and desires of your target market you will need to examine your competitors in order to know how to compete for your customers in the marketplace.

In order to know your competition, you will need to do your research. Who is selling the product you want to sell? At what price are they selling it? How are they promoting it? What unique product services are they offering to customers?

Discuss competitor's strengths and weaknesses. You may need to consider financial standing, target market perception, research & development capabilities.

More importantly, you will need to think about how to beat your competitors.

Competitive Analysis Table

Competitors Name, address, phone, website.	Product	Strengths	Weaknesses	How can I compete? What can I do better?
Competitor #1				
Competitor #2				
Competitor #3				
Competitor #4				
Competitor #5				

Defining your customers is almost important as getting to know your customers through building relationships. The bottom line is that one of the key components in marketing and business growth is to spend the majority of your time and effort nurturing customer relationships, through genuine conversation, a warm welcome, calling them by name, or simply asking whether they enjoyed their carrots they bought from you last week. Nothing is more vital to market growth than maintaining good customer relationships so that you get business from existing customers. This is a strategy that will move you forward in increasing your sales by 50% without increasing your budget (MoneyInstructor.com 2007).

5. Promotion: How will I promote my product in the market?

Promotion is the set of activities people use to communicate with others about their product or service and to convince them to use it. Any promotional strategy communicates something about your business. In today's food market, this includes a wide variety of promotional tools including brochures, billboards, and newspaper ads, etc.

The type of publicity and promotion of your product and services can assure the success or failure of your business. Having a good product without powerful promotional tools is like not having a business at all.

Here are some widely used tools of promotion:

- ☐ Bring samples for prospective customers/markets
- ☐ Prepare a special label/sticker with your brand name, logo and slogan on it
- ☐ Handout brochures and flyers
- ☐ Advertising through radio, newspaper, or other media
- ☐ Word of mouth
- ☐ Posters
- ☐ Yellow pages
- ☐ Web pages
- ☐ Internet blogs
- ☐ Food Directories (i.e. CAFF: Buy Fresh Buy Local Guides <http://guide.buylocalca.org/>)
- ☐ Festivals
- ☐ Free newspaper articles—call a reporter and tell them your story—they might find it intriguing enough to do a story on you.
- ☐ other _____

Developing your Promotional Strategy

Developing your promotional strategy takes research and planning. The first step is establishing your identity and image. Identity is what you really are. Image is how others see you. This is an important distinction because how you see yourself may not be how you are seen by the public.

To manage how others see you, first clarify your identity. You can then project it in such a strong way that identity and image are close to the same. To accomplish this step, you may first need to think about farming and business management in terms of what you value and believe about food, farming and agriculture. In the US today, for example, what is the latest thinking about your product and your business? Do you agree with this thinking and if you do, how can you reflect this thinking in the ways that you promote your product? Knowing what you value and what your customers value will help you design a powerful promotional strategy.

Here is an example of some of the latest thinking regarding the promotion of locally grown organic food.

“Promoting Local Food”

Locally grown organic food markets provide several advantages over conventional and global markets. Buying locally strengthens regional economies, supports family farms, provides delicious, “fresh-from-the-field” foods for consumers, preserves the local landscape, and can help foster a sense of community.

Buying local food strengthens your regional economy

- Purchasing food that was grown and harvested locally keeps your money circulating within your community, keeping wealth in your region.
- Buying local food supports family farmers in your community, some of whom have farmed the land for generations.
- Supporting local farms can help to create jobs for your region.

Buying local food provides high-quality, fresh foods

- Locally produced food is often fresher than conventional products grown far away and shipped in trucks for several days.
- Give local farmers feedback on quality and freshness of their produce.

Buying local food fosters community growth

- Family farms are part of the American tradition of self-sufficiency and serve as the basis of local communities.
- Local farmers’ markets and CSA farms provide places for community members to meet, socialize, and discuss issues.
- Local farmers’ markets and farms bring together individuals who share concerns about the future, promoting organization and cooperation toward common goals.
- By helping family farms financially, you sustain your family and community with delicious, healthy local foods.

Buying local lets you connect with your food producer on the safety and nutrition of your foods

- Locally grown foods can be high in nutrients, often reaching you within 24 hours of harvest, whereas produce shipped from out of state may be up to a week old and has often suffered from severe nutrient loss.
- When you buy locally, you have the ability to ask whether the farmers use safe farming practices, what they spray on their crops, and what they feed to their animals.

Buying local preserves the natural environment

- By supporting local agriculture, you help to protect your region’s farmland from urban sprawl and development.
- Protection of local farmland means protection of open spaces, natural ecosystems, and biodiversity.
- Buying local food helps to reduce dependence on foreign oil needed to ship food thousands of miles, thus cutting back on greenhouse gas emissions.

(FoodRoutesNetwork 2003, <http://www.foodroutes.org/faq11.jsp>
<http://www.foodroutes.org/faq11.jsp>)

Exercise: How does this article help you think about how you can promote your product to your potential customers?

How do your competitors promote their products?

You are planning to open a new farmers' market in your community. Market research shows you that there are 20,000 people within a 15–20 minute drive from your location, and there are two farmers' markets nearby. Evaluate your competitor's promotional advertisements below:

Competitors	Hour	Prices for lb. peaches	Promotion Ad
Mother Earth Vegetables	11 ^{AM} –5 ^{PM} Thur, Fri	Standard prices	Sustainably Grown Local Fresh Vegetables!
Organic Family Farm	9 ^{AM} –6 ^{PM} Mon–Sun	Lowest price	We love your vegetables as much as you do

What conclusions can I make from the information above?

- 1.
- 2.
- 3.

Branding

The American Marketing Association (AMA) defines **branding** as a “name, term, sign, symbol or design, or a combination of them intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.” Therefore it makes sense to understand that branding is not about getting your target market to choose you over the competition, but it is about getting your customers to value your product through the essence of a brand.

The objectives that a good brand will achieve include:

- Delivers the message clearly
- Confirms your credibility
- Connects to your target prospects emotionally
- Motivates the buyer
- Builds Loyalty / Repeat Customers

Logo

When speaking about branding, it's not uncommon for people to mistake their logo as their “branding.” Your **logo** is only one piece of your branding strategy. Your logo is a small ad for your business. A logo is a symbol that can provide consumers with instant and powerful brand recognition of your business and the services or products that you offer.

How would you write an ad or label for your new Farmers Market stand? Create it in the space below:

Branding Your Business Identity

Another branding strategy is to find something meaningful about your business that you can advertise that helps your target market connect with your product and business identity. This will often be associated with the values and personal qualities of the owner. For example, your farm may choose to focus on a branding strategy based on the fact that your business is women-owned and run. To help you brand this attribute of your business to your customers you decide to create a product logo with a picture of a woman carrying an armful of tomatoes and a slogan that says "Grown with a gentle touch". Customers will then associate your business with the women on the logo as a reflection of your business identity. In summary, your **business identity** is the complete professional image that your business wishes to project to make it recognizable and distinct.

What ways can you market your business identity?

First, list below several ways your business is special: (What symbols and/or objects come to mind?)

- 1.
- 2.
- 3.

Now, how might you brand your business identity using the information above?

- 1.
- 2.
- 3.

6. Profit: Financial Objectives and Costs

For many, the ultimate goal of the marketing plan is how much will you spend on marketing and what profits you will make from your efforts. To understand your costs and profit potential of your marketing plan you will need to calculate the following:

Marketing Income:

Seasonal/ Annual Marketing Income for 0.5 acre				
Product	Total sale per Direct Market	Total sale per Indirect Market	Total Sales by Region	Total marketing Income
Total Income				

By Channels of Distribution

- your total sales for each channel

Direct Marketing Channel #1 \$ _____

Wholesale Marketing Channel #2 \$ _____

By Geographic Region

- your total sales for each region

Region #1 \$ _____

Region #2 \$ _____

Total Marketing Income/Sales: \$ _____



Marketing Expenses

What is your marketing budget? Understand the spending requirements needed to carry out your marketing efforts.

Seasonal/Annual Marketing Expenses

Calculator with tape	\$
Accounting ledger	\$
Filing cabinet	\$
Pens, markers etc..	\$
Tables	\$
Table cloth (direct market)	\$
Tent canopy (direct market)	\$
Scales	\$
Crates	\$
Box liners	\$
Rubber bands	\$
Twist ties	\$
Box labels and organic stickers	\$
Boxes	\$
Perforated bags	\$
Marketing promotional materials (logos, brochures, fliers, newspaper ads, radio)	\$
Farmers market fees	\$
Transportation from farm to market	\$
Employee wages: working at farmers markets, transport, and/or selling to wholesale markets	\$
Total Marketing Costs =	
Did you miss anything?	

Total Marketing Expenses for 20__: \$_____

Profitability Analysis

Subtract your total income from sales from your total marketing expenses.

- What is your gross profit or loss? \$_____

This does not include production costs. This only provides a very general idea of the potential profitability of your product, depending on marketing channels utilized.

IV. Risk Management: Additional Considerations

Marketing risk management prepares you for potential situations that may affect your marketing plan. In this way you are provided with a somewhat more balanced picture of what you may face as you attempt to implement an overall marketing plan.

1. Internal Factors

Discuss any internal factors that may affect the plan e.g., loss of funding sources, loss of key personnel, current plan is linked to success to other products that may not reach their goals, production problems, etc.

It's important to keep in mind these internal factors...

Problems that in the short term seem minimal can develop into greater concerns over time. While leaving your parcel for a week without attention may not be a grave problem, if you neglect it for a month, you may face considerable losses in crops and time to recuperate the soil quality.

Example 1

In your parcel you have planted one row of zucchini, a very delicate crop susceptible to damage from the weather. The planting season is in the spring and summer, but you have planted late and are harvesting in November, thus risking possible freezes and damage to your produce.

Therefore...

Before planning any new crop or experimenting with a new planning technique, it's important to be aware of the planning season, the vegetative period and harvesting season. It's important to do your research about new crops and get advice from farmers with more experience so that you know as much as possible about the climate for the crop and the soil of this region. This will help you avoid crop loss.

Example 2

Winter is the normal rainy season where you grow, and you expect that it will rain enough so that you are not spending money on water for your two parcels, and can instead invest more money in equipment. However, it rains less than you'd hoped, and you must rely on irrigating. Unfortunately, you've already spent money on equipment.

Therefore...

It's always important to consider future changes, and always have a Plan B and reserve funds for whatever emergency arises.

2. External Factors

Discuss outside factors that may affect the plan e.g., distribution problems, competitor reaction, technological developments, legal environment, societal changes, economic issues, governmental concerns, etc.

It's important to keep in mind these external factors....

When you create a marketing plan, keep in mind the potential risks that may affect your production, such as weather, overproduction in the market, pests, and diseases.

Example

You would like to plant one acre of strawberries. This is the first year you've planted strawberries and you are not very informed about the demand for strawberries and the times of overproduction. You invest \$3,000 dollars in crop production. When it is time to harvest, you realize that there is a lot of competition in the region and that overproduction has lowered prices below the minimum necessary to pay back your investment. At the end of the season your total income is only \$2,700, and your business has lost \$300 rather than made a profit.

Therefore...

You should always research your market before making a business plan, in order to see if investing is a smart idea and whether you will be able to make a profit. It's critical to think about the competition, the distance between the farm and the markets, production in the region, the season, and regional laws for selling produce. More experienced farmers can help you learn more, so make sure to ask them for advice.

3. Research Limitations

Discuss problems that may exist with the research information on which assumptions are being made e.g., target market demographics, demand for your product, marketing and production costs, etc.

Define your Marketing Objectives

After your market analysis is complete you are now ready to define your marketing objectives. Marketing objectives describe in specific terms what you plan to achieve from your marketing efforts.

Marketing objectives should be measurable, specific, consistent with overall business goals, attainable and have specific deadlines. The determination of realistic marketing objectives requires a sound marketing analysis (above). Since these objectives will guide the entire plan and its strategies, they have to be realistic and clear. However, they may need to be refined over time. Objectives will evolve over time. As market situations and competition change, so must the marketing objectives.

List 3 **SMART** objectives or goals for your marketing efforts. In order to define a **SMART** goal you should follow these simple guidelines:

S= Specific –What will I be attempting to accomplish specifically in my farm and in my farming business?

M= Measurable – How will I measure my success? How will I know I've succeeded in my goal?

A= Attainable – Have I set an attainable goal? What commitment will be required to attain that goal? Am I willing to make that commitment?

R= Realistic – Is the goal within my reach or beyond my reach?

T= Timely – Is this a good time in my career and my life to start this business? Is it a good time to hit the market with this business idea?

Example: *"I will market a variety of in-row crops (onion, celery, tomatoes, lettuce, and spinach) to 10 wholesale companies and via farmers markets throughout the spring and summer months (six months) after harvest with a staff of four people"*

Example: *I will create 500 flyers with my own logo and slogan and I will send out the fliers to 500 people by February 2008.*

Exercise:

Please write down 3 SMART goals for your farm and business.

1.

2.

3.

What did you learn through this process?

Finally, you will need to define a market strategy for your product. It is very possible that a product will utilize more than one strategy (e.g., sell more of same product to current customers but also find new customers in new markets). You may get some guidance and also rationale for strategy by examining results from the Marketing Analysis. Additionally, you should refer to the Marketing Objectives to ensure strategies are in line with how your farm views itself.

Marketing Strategies generally fall under one of the following (or in some cases more than one) ideas:

- Sell more to same market (i.e., get current customers to buy more or buy more frequently)
- Find new markets
- Sell to markets or market segments not previously targeted
 - Develop new products for existing customers
 - Develop new products for new customers

Assignment: Create Your Marketing Plan

A Marketing Plan is a detailed description of your marketing efforts and schedule of tasks and those responsible. Please write detailed answers to the following questions on a separate piece of paper and identify those responsible for each important task (if unsure leave generic e.g., advertising agency, web hosting company, distributors, etc.).

- What are your marketing objectives?
- What is your product?
- Who is your customer and/or target market?
- What distribution channel(s) is best for you?
- Who are your top competitors and how will you compete against them? How might you collaborate with them?
- What is your promotional strategy? Brand name? Logo? Branding identity?
- What will be your expected costs and profits from your marketing efforts?
- What risk management factors will you consider in your marketing efforts?

Resources

The following valuable publications from NCAT/ATTRA are available at <http://attra.ncat.org/marketing.html#direct> under the heading *Direct Marketing Options*

Bringing Local Food to Local Institutions: A Resource Guide for Farm-to-School and Farm-to-Institution Programs

Community Supported Agriculture

Direct Marketing

Entertainment Farming and Agri-Tourism

Farmers' Markets: Marketing and Business Guide

Selling to Restaurants

Nuevos Mercados para Su Cosecha – In Spanish, and even available in an audio file!

New Markets for Your Crops

Local Food Directories

In addition, we recommend the following resources:

Laux, Marsha, (2006). Agricultural Marketing Resource Center, Iowa State University.

CitiBank, (2006). How to be an Entrepreneur Business Manual

Cottingham, (2003), Direct marketing of farm produce and home goods farmers markets.

Regents of the University of Minnesota, (2007). "How to Pick, Store, and Sell the Vegetables You Grow).

Regents of the University of Minnesota, (2007), "How to Sell Your Crops".

Zurschmeide, Kate (2001). Family Fun and Education, Pick-Your-Own, and Community-Supported Agriculture.

MoneyInstructor.com (2007) Marketing Plan - Competitive Analysis.

<http://www.moneyinstructor.com/art/marketingplan-competition.asp>

FoodRoutesNetwork (2003), "Promoting Local Food".

<http://www.foodroutes.org/faq11.jsp><http://www.foodroutes.org/faq11>



Glossary of Terms

Business Identity – The complete professional image that a business wishes to project to make it recognizable and distinct. A successful business identity is consistently carried through all aspects of a company's access to the public, customers, and potential customers: business card, letterhead and envelope, brochures, print advertisements, Web presence, media advertisements, signage, etc.

Branding – A promotional strategy which uses a name, term, sign, symbol or design, or a combination of them to identify the goods and services of one seller or group of sellers and to differentiate them from those of other sellers.

Broker – A person or firm that acts as an intermediary between sellers and buyers of commodities.

Community Supported Agriculture (CSA) – CSA is a business strategy where a farm is owned by a group of community members, each of whom had purchased a share of the business. Together they hired a farmer who raised crops which were divided amongst the shareholders. Members purchase a share up front, and in exchange receive a box of vegetables each week throughout the growing season.

Competitive analysis – Assessments and analysis of the respective strengths and weaknesses of a business against its competitors – this might include their product, benefits and advantages, or marketing strategies for example.

Cooperatives – Member/patron – owned businesses where members pool orders, make the purchases from a supplier and arrange to distribute the food to the members who ordered it.

Direct Marketing – Roadside stands, farmers markets, and community supported agriculture farms (CSAs) constitute the direct marketing.

Farmers' Market – Farmers' markets are common facilities or areas where several producers gather on a regular basis to sell various fresh meat, fruit, vegetables, and other food products directly to consumers.

Food Service Distributors and Shippers – A distributor is a food product merchant who bulk purchases food and food items for distribution and prepares goods for shipment, by packaging, labeling, and arranging for transit.

Logo – A logo is a symbol that may includes a name, pictures, slogan etc. that can provide consumers with instant brand recognition of your business and the services or products that you offer.

Marketing analysis – Actual assessment of the target population, competition and needs for marketing your product or service. A good marketing analysis is key in defining your overall marketing objectives.

Marketing Objectives – Marketing objectives are the goals of any market plan and should be Specific, measurable, attainable, realistic, and have specific timelines (SMART goals).

Marketing Strategy – The action plan that includes the use and incorporation of the 6 "P's: product, price, promotion, people, place, and profit in defining and producing a market plan.

Manufacturer – Manufacturing is the application of tools and a processing medium that transforms raw materials into finished goods for sale.

Marketing Promotion – Activities people use to communicate with others about their product or service and to convince them to use it.

Marketing profits – the result after marketing expenses are deducted from sales income.

Primary Research – Primary research is usually based on surveying a small sample of the target market using qualitative and quantitative research questioning. Primary research includes mail questionnaires, telephone surveys, personal interviews surveys, and observations.

Product Analysis – Product analysis helps us keep in mind the important production materials, time, and economic decisions which are required before deciding on the crop to grow.

Product Price – the price that is set for the product for market sale.

Product Place – Place is also known as indirect and direct marketing distribution channels or a combination of both. It is the mechanism through which goods and/or services are moved from the farm to the consumer.

People or Target Market – The defined audience segment a farmer or food distributor seeks to reach with its advertising and promotion campaign, such as teens, women over 30, specific ethnic groups, yuppies etc.

Retailer – A retailer buys goods or products in large quantities from manufacturers, brokers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user.

Risk Management – A discipline for dealing with the possibility that the future may be surprisingly different from what we expect.

Roadside Stands: Also known as farm stands, refers to any activity where the farmer sells agricultural and value added products from his farm directly to consumers at a stand or kiosk located on or near his farm or along a road near the farm.

Secondary research – This type of research is based on information gleaned from studies previously performed by government agencies, chambers of commerce, trade associations, and other organizations.

U – Pick or Pick – Your – Own Operations: These are fruits and farms or orchards where the customers themselves harvest the fruits or products. The prices they pay for the volume harvested will be usually higher than what the grower would get from a broker.

Value Proposition – A business or marketing statement that summarizes why a consumer should buy a product or use a service. This statement should convince a potential consumer that one particular product or service will add more value or better solve a problem than other similar offerings.

Wholesale markets – Intermediaries that buy from farm producers and resell to retailers and food service. They offer other services such as financing, breakdown cases or packages for distribution, management services, risk bearing and product promotion services.